

GAO

## Testimony

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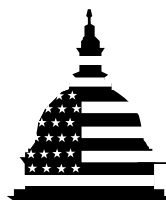
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# OFFICE OF MANAGEMENT AND BUDGET

## Future Challenges to Management

Statement of David M. Walker  
Comptroller General of the United States



G A O

Accountability \* Integrity \* Reliability

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Mr. Chairman, Mr. Turner, and Members of the Subcommittee:

I am pleased to be here today to discuss the role of the Office of Management and Budget (OMB) in addressing the governmentwide management challenges facing the federal government. In an earlier testimony before this subcommittee on OMB's managerial leadership, we discussed in some detail OMB's effectiveness in a range of specific management areas.<sup>1</sup> My statement today will build on this by emphasizing the broader challenges facing the nation and the federal government now and in the future and their implications for central leadership approaches in general, and OMB in particular.

This hearing comes at an opportune time. As I recently testified before the Senate Governmental Affairs Committee, it is critical to take stock of where we are as a nation and as a government.<sup>2</sup> The newly emerging policy and management issues are truly different in kind from those we have faced before and call for different kinds of approaches and solutions. We need to take a comprehensive view of government's structure and role as we think about these new challenges. How can we best provide the kind of governmentwide leadership to tackle these new problems and opportunities?

In my statement today, I want to make a number of points:

- Meeting the governance challenges of the new century calls for us to build on the management reforms enacted in the 1990s to address a broader range of governmentwide issues. Many of the policy and management challenges that face the nation and the government are multidimensional and cross program, department, and agency boundaries. At the same time, sustaining real performance improvements in government will require transformations in the day-to-day management, cultures, and structures of many federal agencies.
- As a result, our policy development and management processes need to become more integrated and comprehensive while at the same time promoting concerted action and support by federal agencies and their third-party providers who bear ultimate responsibility for delivering services to the people.

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<sup>1</sup>*Government Management: Observations on OMB's Management Leadership Efforts* (GAO/T-GGD/AIMD-99-65, Feb. 4, 1999).

<sup>2</sup>*Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century* (GAO/T-OCG-00-9, March 29, 2000).

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- Since the challenges we face are diverse, no single leadership strategy or structure will serve to address all of them. Rather, a variety of strategies and structures provides flexibility and can be designed to fit the specific challenges, ranging from a central review approach to more devolved strategies focusing on agency buy-in.
  - Although meeting these challenges will require participation of the relevant departments and/or third-party entities, OMB needs to take a more active role. OMB must take the initiative to look across boundaries and identify both management and policy issues where greater attention is needed and take appropriate steps to ensure they are effectively addressed.

As we consider OMB's role, it is important to think about changes in society and the world at large that will place new demands on management leadership. We see that to a great extent we have succeeded as a nation in overcoming some of the central problems that have dominated public discourse and debate in the latter part of the 20<sup>th</sup> Century. The cold war has ended and we won. The chronic deficits that cast a long shadow over government and the economy for so many years have been replaced with surpluses that are now projected to last for many years, assuming no further policy actions. We should rightly celebrate our successes at this time, for they were hard-earned and remind us that our public sector—political leaders and career civil servants alike at many levels of government—have contributed greatly to the achievement of these ends.

At the same time that we recognize these successes, however, we face a wide range of challenges and opportunities—both in policy and management—as we look ahead to the future. They include globalization trends, changing security threats, new and emerging technological innovations, demographic changes, quality of life challenges, and government performance and accountability issues. These interconnected challenges and opportunities—which have no borders either domestically or internationally—are both exciting and somewhat daunting. The globalization of our economy for instance not only provides new opportunities for U.S. producers and consumers, but also raises new issues associated with our growing economic and social interdependence and national security. Technological innovation continues to be a major driver of economic growth, transforming, among other things, the way we communicate, learn, and conduct commerce. At the same time, the explosion in technology presents the federal government with a host of new public policy and management issues associated with widespread use of information, including the areas of computer security and personal

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privacy in an electronic age. I have spoken in many forums of the challenges presented by the aging of our population and about how we provide economic security for a growing elderly population without imposing an unreasonable burden on workers, the economy, or the federal budget in future years.

Although the American people expect world-class public services and are demanding more of government, the public's confidence in the government's ability to address its demands remains all too low. Real constraints continue to hamper federal agencies. For example, the development of modern financial systems is still a work-in-progress for many agencies, and the government's use of information technology has suffered from management weaknesses that have resulted in widespread untapped potential to improve service delivery. Although major reforms under way in performance, financial, and information systems management are already showing encouraging progress, they should be viewed as a foundation that is necessary but not sufficient to address long-standing performance issues in the federal government. Human capital is missing from the statutory management framework, and it is important to recognize that people are the linchpin for progress in any organization so that nothing less than a transformation in how we think about human capital at the federal level will be necessary. We must address what amounts to an emerging human capital crisis in government. Given the importance and interdependency of these issues, central governmentwide leadership is critical to resolving these long-standing problems in federal management systems.

To address the challenges of the new century, however, the agenda for governmentwide leadership must be broader and deeper. Now it is time to build on the management reform initiatives of the 1990s to institutionalize real change in what the government does and how it does it. In order to transition agencies from process-oriented business practices to more of a results orientation while taking greater advantage of technological advances will require nothing less than a structural and cultural transformation of the federal government.

Although agency-level reforms are of critical importance, many of the leading performance goals and missions of government transcend individual agency boundaries—and, increasingly, levels of government or sectors of the economy. The results of federal programs are realized by the public as the sum of various and often conflicting federal, state, local, and private initiatives addressing a problem or concern. A more comprehensive approach to sorting out and integrating related initiatives

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addressing common performance goals is vital to meeting the public's expectations.

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## Implications of New Challenges for the Governmentwide Management Reform Agenda

Meeting the governance challenges of the new century has wide-ranging implications for our decisionmaking and management processes. In some respects, these issues call for more and stronger governmentwide leadership. Many of the challenges transcend traditional boundaries and demand a more comprehensive and coordinated decisionmaking and implementation framework to achieve greater policy coherence, improved performance, and enhanced accountability. On the other hand, improving government performance invariably rests on the actions of many agencies and nonfederal third parties whose commitment to change is uncertain—a factor that becomes more critical as the focus of management reform shifts to improving the day-to-day management of federal agencies and programs. This all leads to a broader and deeper definition of governmentwide management reform, making the roles and tasks associated with it more intricate and complicated.

Management improvement has been defined by the statutory management reforms enacted in the 1990s for performance management, financial management, and information systems. As I indicated in my previous testimony, we are still a long way from successful implementation of these initiatives.<sup>3</sup> Over the years, our work has shown that federal functions and programs critical to personal and national security, ranging from Medicare to weapons acquisition, have been hampered by daunting financial and program management problems, exposing the federal government to waste and abuse. Since 1990, as part of our high-risk initiative, we have reported on specific federal activities and functions that are particularly vulnerable to waste, fraud, abuse, and mismanagement.<sup>4</sup>

- Widespread financial system weaknesses, problems with fundamental recordkeeping, incomplete documentation, and weak internal controls prevented the government from having the information needed to effectively and efficiently manage operations or accurately reporting a large portion of its assets, liabilities, and costs.
- Federal information systems have been plagued by huge cost overruns; schedule slippages measured in years; and marginal benefits in improving

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<sup>3</sup>GAO/T-OCG-00-9.

<sup>4</sup>*High-Risk Series: An Update* (GAO/HR-99-1, Jan. 1999).

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mission performance, cutting costs, and enhancing responsiveness. Continuing computer security weaknesses put critical federal operations and assets at great risk.

- Underlying weaknesses in several program management areas raise inordinate risks—the loss of billions of dollars annually due to improper payments in certain benefit programs, difficulty in controlling tax filing fraud, inefficient and weak lending programs, and challenges in reducing Defense infrastructure costs.

It is increasingly clear that the enactment of statutory management reforms, while critically important, is necessary but not sufficient to achieve sustainable improvements in government performance. Continued perseverance in addressing statutory management reforms and the areas that are the focus of our current high-risk initiative will ultimately yield significant benefits. However, a more daunting agenda lies ahead of us if we are to bring about fundamental improvements.

First, progress on many performance problems calls for an integrated multifunctional approach cutting across traditional programmatic and functional boundaries. Achieving results calls for coordinated responses from numerous public and private entities. In a recent report, for instance, we identified widespread mission fragmentation and program overlap throughout the major mission areas at the federal level. For example, 23 programs operated by 4 agencies offered housing services and 26 programs administered by 6 agencies offered food and nutrition services.<sup>5</sup>

Even more broadly, many missions are characterized by the presence of multiple tools, such as tax expenditures, grants, loans, and direct federal spending programs. For instance, in fiscal year 2000, the federal health care mission area includes \$34 billion in discretionary budget authority, \$123 billion in entitlement outlays, \$100 million in loan guarantees, and \$89 billion in tax expenditures.

The outcomes achieved by these programs and tools are in a very real sense highly interdependent. Any debate on policy in these areas and any consideration of the management and performance of the government should consider the broader picture of federal involvement. However, currently some tools, such as discretionary spending, receive more scrutiny in the budget and authorization processes than others do, such as tax expenditures and regulations. In our view, one of the main agendas for

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<sup>5</sup>*Managing for Results: Barriers to Interagency Coordination* (GAO/GGD-00-106, March 29, 2000).

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governmentwide management leadership is to promote more transparency and coordination across tools and programs so that the costs and performance consequences of each can be more readily compared.

The foregoing illustrates that the management issues facing the government are increasingly complex and wide-ranging. It also suggests how critical Congress and the President are to governmentwide performance issues. Congressional committees often tend to favor different approaches and tools to address common problems. Competition among different approaches can be productive, but we have not had a decisionmaking and oversight vehicle or forum for a healthy debate about those different approaches. There is no neat way to separate management from policy or from program design—especially to the public on the receiving end. I will discuss later on how the governmentwide performance plan could provide a decisionmaking framework to help both the President and Congress bring about greater coherence in the design and management of our programs and policy tools.

The foregoing also suggests how intertwined management issues are with the budget process. I understand that over the years the debate over central management leadership has proceeded as if budgeting and management were mutually exclusive processes. In fact, I think this is a Hobson's choice. Regardless of where the responsibility for central management leadership is located, integration with budgeting is absolutely critical for progress in government performance and management. I say this not just because the budget provides clout and reinforces the priorities of federal agencies' management goals. Rather, the budget is the only annual process we have in government where programs and activities come up for regular review and reexamination. If we really believe that there is a need to reexamine what we are doing as a government and how we are doing it, the budget process is undeniably the focal point. Moreover, good budgeting stands to gain from being integrated with management. Good budget analysis should lead to the critical examination of the performance and implementation of federal programs. From this perspective, the new tools provided by performance measures, audited financial statements, and information systems planning can help budget analysts improve their own review of competing claims and programs within the federal government.

Second, transforming federal agencies into high-performing organizations will require that performance, financial, and information systems and human capital reforms become embedded in day-to-day management across government. To transition agencies from process-oriented business practices to results-oriented ones will require both structural and cultural

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transformation. High performance and accountability depend on the three enablers—people, process, and technology—and therefore it is important to focus on each of these components to effectively enable agencies to achieve their missions and visions for the future.

The agenda for federal management reform needs to expand to recognize that both federal agencies and nonfederal third parties play key roles in determining the results of federal initiatives. Increasingly, the federal government has come to rely on a variety of third parties—state and local governments, nonprofit agencies, and for-profit businesses—to achieve federal objectives. It has done this by using a range of tools—grants, loans, tax expenditures, and regulations—to engage third parties as the workhorses of our federal system, rather than using federal employees to directly implement national programs. Third-party government presents diverse accountability challenges. In addition, the goals and interests of these third parties may conflict with national goals and interests.

The choice and design of the tools for a program at its inception play a large role in influencing the performance achieved through the complex networks of third parties. This is why program design should be seen as a critical part of the management agenda. As we seek to manage programs indirectly and often at some distance from the client, we must pay attention to how relatively mundane program requirements affect actual results. The uncertainties between the creation and the outcomes of programs have probably grown over the years as the federal role has become more ambitious and as delivery networks have grown more complex. One analyst described the governmental policy processes as “ready, fire, aim” —we initiate programs armed with imperfect information and revise our approaches as we gain experience and feedback. His point here was not that we should wait for perfect information—which would be impossible—but that we need a way to get feedback and adjust in response. The Government Performance and Results Act (GPRA) is designed to help agencies sort out and measure the strategies used to achieve objectives, whether directly through federal action or indirectly through third parties. GPRA provides a feedback mechanism about the extent to which agencies achieve their goals.

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## Evolving Approaches to Address Governmentwide Issues

As the governmentwide management reform agenda broadens and deepens, we must recognize that the complexity of the issues suggests that taking a single institutional or structural approach to the leadership of the governmentwide management agenda would not be appropriate—one size does not fit all types of situations. The simple assignment of responsibility, by statute or executive order, to a single central organization does not fit



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with today's complex agenda. Although the leadership and oversight of the entire agenda may be vested in a single office, we should not expect that office to have the capacity, competency, or the base of political support necessary to promote this agenda across the board. Rather, a mix of different leadership approaches and styles must be tailored to the unique and vastly different issues to be addressed.

Primary responsibility for addressing the fundamental performance challenges facing the government rests in no small part with the federal agencies and their third-party partners. Central leadership at the governmentwide level can provide the impetus for change, but agencies and their networks must actually implement the reform agenda for meaningful change to occur—and that means we must find a way to get their “buy-in” and sustained commitment. It also bears repeating that Congress is an essential part of the leadership. It can either reinforce or frustrate the implementation of reforms and other needed changes. In this regard, congressional oversight is key to ensuring that continuing progress is made to maximize the government's performance and ensure its accountability.

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### A Variety of Approaches Provides Flexibility in Addressing Management Issues

Both Congress and OMB have developed a set of approaches to address the different governmentwide management issues. Although it is still too early to reach definitive conclusions about success, these different approaches, sometimes used in combination with one another, have shown promise in dealing with many difficult problems.

- The “single central leader” approach was used for the year 2000 computing crisis. The President appointed an assistant to deal with year 2000 issues in the federal government and to coordinate with other sectors of the world economy, both here and abroad. This was a time-critical issue that was a high priority for agencies, the President, and Congress. Appointing a high-level official outside OMB provided leverage and visibility for this role.
- The “council” approach can help foster communication across the executive branch, build commitment to reform efforts, tap talents that exist within agencies, focus attention on management issues, and initiate improvements. In the case of the Chief Financial Officers (CFO) Council, implementing these reforms involves sharing best practices and expertise among agencies to achieve changes over a span of several years. Similarly, the Chief Information Officers (CIO) Council provides a forum for senior officials to interact and work towards achieving strategic information technology (IT) performance goals, improving work processes, integrating

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information technology architecture, and strengthening IT knowledge, skills, and capabilities.

- A “task force” approach offers the benefit of an interagency council for technical or short-term tasks. This approach can bring expert knowledge outside of the federal government to bear on management problems and to concentrate federal efforts in addressing relatively narrow crosscutting issues. For example, 17 Offices of Inspectors General recently reviewed non-tax delinquent debt in order to highlight the importance of federal agencies’ compliance with statutory debt collection requirements. Capital planning for federal assets also used a task force approach.
- The “lead agency” approach can be effective in developing complementary goals; mutually reinforcing strategies; and where appropriate, common performance measures when policies cut across agencies and programs. An example is drug control, where responsibilities for governmentwide leadership have been assigned to a particular agency (the Office of National Drug Control Policy—ONDCP) outside of OMB. ONDCP is the President’s primary policy office for drug issues, providing advice and oversight of drug programs and coordinating development of the President’s National Drug Control Strategy. By developing a national drug control strategy, ONDCP has been able to enlist the support of federal agencies as well as nonfederal partners, such as state and local governments and the private sector.
- The “integrated” approach can help achieve a more cohesive picture of government performance. To portray and analyze the performance of the federal government comprehensively, an integrated approach includes all federal strategies and tools—including tax expenditures and regulations—with key agency performance goals associated with federal spending. For example, OMB reviews agency performance plans within the context of agency budget requests. Implementation of GPRA requires leadership on the part of OMB to ensure that performance data are used to inform budget decisions and that agencies take GPRA seriously and use it to run their organizations.
- The “partnership” approach offers various models in which other actors help articulate central leadership initiatives. The National Partnership for Reinventing Government, formerly known as the National Performance Review (NPR) for instance, played a key role in encouraging agencies to develop customer service standards. Another type of partnership provides a vertical approach to management and accountability for programs and policies implemented by third parties. The President’s Management Council is chaired by OMB’s Deputy Director for Management and

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includes Chief Operating Officers or equivalents from major agencies. Its agenda includes setting priorities, identifying and resolving cross-agency management issues, and establishing interagency task forces to transform governmentwide systems. Performance-based intergovernmental partnerships allow the federal government to extend its management role beyond its workforce. In exchange for greater recognition and say in the design and implementation of programs, states and others are held to agreed-upon results. When successful, this approach can improve service and lead to greater accountability.

- The “central review” approach can be used to resolve potential conflicts stemming from differing perspectives or goals within the executive branch. For example, OMB brings a presidential, rather than single agency, perspective to its reviews of major regulations. The regulatory side of OMB’s Office of Information and Regulatory Affairs acts on 3,000 to 5,000 information collection requests from agencies per year, reviews about 500 proposed and final rules each year, and is responsible for calculating the costs and benefits of all federal regulations.

This list is not meant to be exhaustive, but rather suggestive, of the variety of approaches that has evolved to address emerging issues. Although each approach is inevitably linked to the budget process in some manner, OMB’s role varies considerably in terms of control and oversight. In some cases the importance of agency buy-in and the need for longer-term development of capacity to fully implement needed changes argue for a devolved approach. In other cases, conflicting goals and/or the time-sensitivity of the issues may demand more centralized approaches.

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## Emerging Issues Use Several Approaches

Our policymaking and management processes need to become more integrated and comprehensive if we are effectively to address current and emerging issues. Multiple approaches can bring together the various competencies and capacities needed to address a particular situation. Computer security is the first of three examples demonstrating the complexity of problems facing the federal government that can no longer be met by anything short of a broad-based, integrated approach.

- Computer Security: The dramatic increase of computer interconnectivity—while facilitating communications, business processes, and access to information—has increased the risk that problems affecting one system will also affect other connected systems. Massive computer networks provide pathways among systems that, if not properly secured, can be used to gain unauthorized access to data and operations.

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The administration's recently released *Defending America's Cyberspace: National Plan for Information Systems Protection* discusses various proposals to protect critical information assets and infrastructures. The plan clearly recognizes OMB's core responsibility for managing federal computer security and information technology. The administration's call to action through this plan's development indicates a heightened concern over cyber-security and provides a basis for increased oversight. OMB has a role in ensuring agencies fulfill their obligations to set and evaluate meaningful controls over their information environment. At the same time, this plan recognizes that the effort to safeguard information systems is well beyond the capacity of one agency to manage.

The plan introduces or formalizes a number of new entities, interagency working groups, and projects that will have to be integrated into the existing framework of computer security activities. Examples of these new entities and efforts include an Expert Review Team for evaluating agency infrastructure protection plans, a Federal Intrusion Detection Network, and an interagency working group on system security practices. The lead agency approach may be appropriate for some of these activities, such as the Expert Review Team, which anticipates giving the National Institute of Standards and Technology the lead in assisting agencies governmentwide. For other activities, the plan focuses on developing a public-private partnership. Information sharing about actual threats and vulnerabilities is one area where partnerships can provide for the common defense of the infrastructure. Because of the number of entities involved (some established by law, some by executive order, and others with less formal mandates), strong and effective leadership will be essential to ensure that their efforts are appropriately linked with broader computer security efforts.

- **Human Capital Initiatives:** An organization's human capital policies must be aligned to support its shared vision—that is, the mission, vision for the future, core values, goals, and strategies—by which the organization has defined its direction and its expectations for itself and its people. To meet the changing environment, federal agencies need to give human capital a higher priority than ever before and rethink how their workforces are developed and deployed to enhance achievement of organizational performance goals. Two principles are central to the human capital idea: investing in employees and aligning “people policies” to fulfill the organization's shared vision. The civil service has been evolving to be more and more decentralized.

OMB is using the integrated and central review approaches to oversee agencies' development of their strategic and annual performance plans

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under GPRA. OMB should try to ensure that agencies have well-thought-out strategies, in particular that they have integrated human capital planning into their strategic planning processes. Using an integrated approach OMB, along with congressional oversight, can encourage discussion of agency efforts to ensure that they have the needed human capital and that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms. It is the agencies' responsibility to rethink how their workforces are developed and deployed to enhance achievement of organizational performance goals. Of course, the Office of Personnel Management has an important role to play in helping agencies develop effective tools and strategies, and we believe that this leadership can be strengthened.

Using a central review approach, OMB has the opportunity in many cases to directly influence agencies' human capital management practices through its oversight of agencies' budgets. OMB can, for example, review the adequacy of agencies' workforce planning and resource levels to meet targets and goals.

Using a partnership approach, the NPR illustrates another approach that can also be used to significantly influence human capital matters. NPR supports, for instance, partnership efforts between agency managers and unions and one of its recommendations led to the establishment of Partnership Councils in several major agencies to enhance labor-management relations.

- Crosscutting Issues: Our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated. It also has shown the importance of coordinating these programs. Without such coordination, scarce funds are wasted, program customers are confused and frustrated, and the overall effectiveness of the federal effort is limited.

As part of an integrated approach, one strategy that OMB could use is the governmentwide performance plan, which is a key component of GPRA, to address more cohesively the various programs and tools contributing to broad federal performance goals. It could also be used to more clearly relate and address the contributions of alternative federal strategies. Agencies, in turn, could use the annual performance planning cycle and subsequent annual performance reports to highlight crosscutting program efforts and to provide evidence of the coordination of those efforts. Under a central review approach, OMB could also help to ensure that agencies develop common or complementary performance measures. In addition,

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the council approach could involve the CIO Council in efforts to encourage data-sharing and other ways to employ information technology to reduce fragmentation and overlap.

The more routine integration of performance measures and information should, over time, also help facilitate this kind of debate in the budget process itself. GPRA provides for such integration through the program activity structure of the federal budget, but in many cases the program activities need to be better aligned with the goals in performance plans to prompt performance-oriented budgeting.<sup>6</sup> In some cases, agencies may need to develop effective crosswalks between strategic plans and the budget; in other cases, agencies and Congress may decide to change the program activity structure in the budget. Improved financial reporting and auditing, as required by the CFO Act, will further strengthen the cost basis and reliability of data underlying the link between performance information and the budget. But GPRA should not be expected to eliminate the conflict inherent in the political process of resource allocation; and final decisions will appropriately take into account many factors, including performance.<sup>7</sup>

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## The Central Leadership Challenge

In short, Mr. Chairman, we face a daunting set of governmentwide management challenges and issues. Although one single approach and structure is not going to suffice for all of these issues, we do feel that a strong central focal point is critical to provide the leadership across the range of issues. Our system has shown the ability to respond well once something becomes a management crisis—for example, the response to the Year 2000 computing problem. However, many of the more long-term and chronic management problems—such as those on our High-Risk list—require sustained attention over many years to be successfully resolved and to avert crises from happening in the first place. Unfortunately, such management issues often generate limited interest on a daily basis and may not receive sustained attention from top officials. We face the very real danger of having the urgent drive out the truly important because Congress, the Executive Office of the President, and the agencies all have many competing priorities demanding their attention.

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<sup>6</sup>*Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans* (GAO/GGD/AIMD-99-215, July 20, 1999); and *Managing for Results: An Agenda To Improve the Usefulness of Agencies' Annual Performance Plans* (GAO/GGD/AIMD-98-228, Sept. 8, 1998).

<sup>7</sup>*Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation* (GAO/AIMD-97-46, March 27, 1997).

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A central focal point can play the essential role of ensuring that our system sustains attention to management and other crosscutting issues needed to improve government performance. Increasingly the challenges that we face are multidimensional problems that cut across numerous programs, agencies, and governmental tools. Although the respective departments and agencies should have the primary responsibility and accountability to address their own issues, central leadership has the responsibility to keep everyone focused on the big picture by identifying the agenda of governmentwide issues needing attention and ensuring that related efforts are complementary rather than duplicative.

The challenge is to decide which approach—or mix of approaches—is most appropriate to building and sustaining the support necessary to resolve a given management problem over the long term. The real responsibility for addressing these problems rests with the departments and agencies and the networks of third parties they rely on to deliver program services. As I have stated before, the support of agencies is particularly critical if we are to transition government to more results-oriented business processes, structures, and cultures.

Accordingly, the task facing central leadership is not to fulfill the nearly impossible role of identifying and resolving all major problems itself. Rather, it is to serve as the catalyst and strategist to prompt agencies and other critical players to come to the table and take ownership for addressing the agenda of governmentwide management issues. As we have discussed, a number of approaches are already used in which OMB plays a more supportive role, thereby emphasizing and reinforcing the accountability of departments and agencies to take ownership and implement needed changes. If well-chosen and managed, these approaches have the potential for expanding the capacity of our system to address pressing management issues.

These strategies reinforce the point that any central leadership focal point is ultimately dependent on support from others in the system to achieve a sustained focus and lasting results. Experience from the past suggests sustaining support for the implementation of governmentwide initiatives is dependent on support from four critical actors.

- Top management support and commitment within both OMB and the White House is often critical to providing a focus on governmentwide management issues throughout both the budget process and the executive agencies themselves. As our study of OMB 2000 pointed out, management and performance measurement issues gained considerable attention in the budget formulation process initially because of the clear commitment of

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OMB's leadership.<sup>8</sup> However, top leadership's focus can change over time, which can undermine the follow-through needed to move an initiative from policy development to successful implementation.

- A strong linkage with the budget formulation process is a key factor in gaining serious attention for management initiatives throughout government. Management initiatives need to be reflected in and supported by the budget. Many management policies require budgetary resources for their effective implementation, whether it is financial management reform or information systems investment. Furthermore, initiatives such as GPRA seek to improve decisionmaking by explicitly calling for performance plans to be integrated with budget requests. We have found that previous management reforms, such as the Planning-Programming-Budgeting-System and Management by Objectives, suffered when they were not integrated with routine budget presentations and account structures.
- Effective coordination and collaboration with the agencies—through such approaches as task forces and interagency councils—has, as I have noted, emerged as an important central leadership strategy in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow-through within the executive branch.
- Support from Congress has proven to be critical in sustaining interest in management initiatives over time. Congress has, in effect, served as the institutional champion for many of these initiatives, providing a consistent focus for oversight and reinforcement of important policies. In fact, a study of management reforms over the postwar period found that the responsibility for initiating management reforms shifted from the president to Congress since 1974, although it was recognized that the executive branch played an important role in developing these statutory approaches.<sup>9</sup> For example, Congress'—and in particular this Subcommittee's—attention to the Year 2000 problem, information management, and financial management has served to elevate these problems on the administration's management agenda.

Any number of organizational arrangements is possible, but I believe that OMB can serve as the executive branch's management focal point. However, several additional steps must be taken by OMB for governmentwide management issues to be effectively addressed. First,

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<sup>8</sup>Office of Management and Budget: *Changes Resulting From the OMB 2000 Reorganization* (GAO/GGD/AIMD-96-50, Dec. 29, 1995).

<sup>9</sup>Paul Light, *The Tides of Reform: Making Government Work 1945-1995* (Yale University Press, 1997).



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OMB needs to take more initiative in setting the agenda of governmentwide issues. Crosscutting issues such as human capital, computer security, and program fragmentation call for a more decisive and assertive OMB role in defining the problem, developing appropriate strategies and approaches to implementation, and overseeing progress. As I have noted, this often might entail devolving principal responsibility to others, such as federal agencies, with OMB serving more as a catalyst and convenor. In other cases, more active encouragement and review might be called for, including such activities as developing guidance, benchmarking, and disseminating best practices.

OMB can take more advantage of the new governmentwide management reforms as leadership tools. For instance, the governmentwide performance plan has great promise to provide a decisionmaking framework for considering crosscutting policy, program, and management issues. The process of preparing the plan can help prompt decisionmakers to focus on the relative contributions of programs and tools addressing common performance goals. The planning process can, thus, present tradeoffs for decisionmakers that cut across conventional program, department, and OMB organizational lines.

I recognize that positioning OMB to be an effective focal point for governmentwide management issues may raise issues about OMB's capacity and resources to do the job. First and foremost, there is a need for a confirmed Deputy Director for Management to provide a champion for management issues at the highest levels of OMB. OMB also needs to understand how its organization affects its capacity to provide sustained management leadership. In our 1995 assessment of OMB 2000, we recommended that OMB review the impact of its reorganization as part of its planned broader assessment of its role in formulating and implementing management policies for the government. OMB has not formally assessed the effectiveness, for example, of the different approaches taken by its statutory offices to promote the integration of management and budget issues, nor has it formally assessed the skills and training of its program examining staff. Additional targeted resources could ultimately be part of a broader strategy to enhance OMB's leadership capacity.

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## Conclusions

In summary Mr. Chairman, the government faces important challenges and opportunities as we look ahead to the future. Many of these issues call for an integrated and comprehensive approach if we are to make real sustainable progress in improving performance governmentwide. Marked changes in federal agencies' workforce, technology, cultures, and service delivery networks may very well be necessary as well. These kinds of

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changes call for an effective central leadership focal point that can both identify the agenda of governmentwide management issues and prompt concerted action and support by federal agencies and other actors who bear ultimate responsibility for delivering services to the American people.

Although we have suggested a central focal point in the executive branch, Congress is clearly a key player in improving governmentwide performance as well, and its leadership in enacting governmentwide performance, financial, and information management reforms has already had a substantial impact. Congressional oversight of individual programs and agencies is also absolutely vital to promoting and sustaining needed performance improvements. The new performance and financial information arising from recent management reforms will provide new opportunities for congressional oversight to identify weaknesses and reinforce programs that are working effectively. For instance, the performance reports recently issued by agencies should help Congress pinpoint problems more systematically.

However, just as we are challenging the executive branch to strengthen its focus on crosscutting issues, so too should Congress consider approaches to enable it to more effectively address common performance and management issues that cut across its own jurisdictional and committee boundaries. Elsewhere, I have suggested that Congress could use the governmentwide performance plan as a starting point to prompt a more concerted oversight agenda to focus its attention on the most pressing crosscutting management concerns and alternative strategies offering the greatest promise to achieve performance goals and federal missions. A more coordinated congressional oversight agenda could be identified by the oversight committees of each chamber and possibly in a “congressional performance resolution” linked to the budget resolution.<sup>10</sup>

Ultimately, the broad-based and rapid changes confronting government may call for a longer term and more fundamental review of the structure for major federal activities and the processes used for service delivery, decisionmaking, and oversight. We stand at an important crossroads, and the new challenges may indeed call for a comprehensive reexamination of what government should be doing and how it does it. Freed of the constraints of the cold war and chronic deficits, this current situation may provide a golden opportunity to review the legacy of existing activities and programs with an eye toward weeding out or reforming those proven to be

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<sup>10</sup> *Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus* (GAO/T-AIMD-00-73, Feb. 1, 2000).

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outdated and freeing up resources to address emerging needs. A recently proposed Commission on Government Restructuring offers one mechanism to institute such a systematic reexamination.

We at GAO are ready to assist both Congress and the executive branch in addressing the agenda of important governmentwide management issues facing us. Our work, including our Performance and Accountability and High-Risk Series, the Budget Implications reports, as well as other information and issues identified in our Strategic Plan could help identify the agenda of key issues as well as potential solutions to improve performance for key areas of government.<sup>11</sup> When our work is coupled with the GPRA plans and reports, financial audits, the work of inspectors general, and other government reports, we can engage both Congress and the executive branch in constructive partnerships to make real and sustainable progress in improving government performance.

This concludes my statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

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<sup>11</sup>*Performance and Accountability Series: Major Management Challenges and Program Risks* (GAO/OCG-99-22SET, Jan. 1999), and *Budget Issues: Budgetary Implications of Selected GAO Work for Fiscal Year 2001* (GAO/OCG-00-8, March 2000).

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